GREAT LAKES Capital Fund

Energy Conservation Recommendation

Edward Bobinchak, May 18, 2007

In 2005, Great Lakes Capital Fund, MSHDA and the Enterprise Foundation entered into a cooperative arrangement to provide grants for sustainable development through a program called *Michigan Green Communities*. As part of that partnership, the Enterprise Foundation made available a study that it had commissioned regarding practices in various states related to high-performance housing. According to several studies, as of 2006, 47 of 50 states promote sustainable development in some fashion using the Qualified Allocation Plan.

Forty states make some aspect of sustainable development a threshold requirement, mandatory for all Low Income Housing Tax Credit applications. Forty-four (44) states, including Michigan, encourage sustainable development through the scoring criteria outlined in their QAPs.

In Michigan, following the recommendations of the Land Use Taskforce, the QAP currently awards points for site selection and "Walkable Community" features. I applaud Michigan for awarding up to 5 points for having "walkable" features in rental developments and I recommend the continuation of this aspect of the QAP.

I suggest that the next logical step for Michigan is to join with 40 other states by including standards for **energy** and **water efficiency** in the new QAP. Such standards make sense, both for the long-term affordability of housing for low and moderate income households and also for the long-term sustainability of the real estate. As an advocate for High-Performance Housing, I would like to see all developers make high-performance standards an integral part for their Low Income Housing Tax Credit developments. However, values for high-performance housing need to be a collaborative effort by every member of a development team and such collaboration is not likely to be aided by making mandatory requirements.

Instead, I recommend that High-Performance standards be incentivized in the QAP by awarding points for specific housing upgrades. Not all upgrades are equal and not all will be appropriate for every development. However given a variety of options, some upgrades will be appropriate in any development. Therefore I recommend that the QAP reference a list of possible energy and water conservation upgrades and allow developers to choose among them in order to earn points to make their applications more competitive. What follows is an example, drawn in part from the QAP from Indiana and other states. Possible language in the QAP could be:

All developers are encouraged to incorporate energy saving and water conserving features in their housing. In recognition of those efforts, projects can earn a maximum of ***eight (8) points*** *by incorporating the following features:*

(A) Proposals that commit to earning a 5-Star Energy Star rating and confirming their performance by a certified HERS energy-rater will earn the maximum ***8 points.***

(B) Proposals that include all of the following features in their specifications will earn a total of ***2 points***

- *Energy Star rated windows and sliding glass doors*
- *Energy Star rated furnace or heat pump*
- *Energy Star labeled refrigerators*
- *Energy Star rated air conditioner*

(C) ***1 point will be awarded for every 4 items selected*** *for a maximum of* ***3 Points***

- *Energy Star labeled dishwashers*
- *Energy Star qualified roof products (for all buildings)*
- *Energy Star labeled ceiling fans*
- *Installation of Energy Star labeled lighting fixtures or the Energy Star Advanced Lighting Package in all interior units and use of Energy Star or high-efficiency commercial grade fixtures in all common areas and outdoors.*
- *Energy Star rated clothes washer (throughout the development)*
- *Energy Star labeled programmable thermostat*
- *Use of insulation blankets for all hot water heaters – rehabilitation only when replacement of water heaters is not being proposed.*
- *Energy Star labeled bathroom fans that exhaust to the outdoors*
- *Tankless water heaters in each unit*
- *Installation of Water conservation fixtures - Toilets*
  – 1.3 GPF (gallons per flush) or better
- *Installation of Water conservation fixtures - Showerheads*
  – 2.0 GPM (gallons per minute) or better
- *Installation of Water conservation fixtures - Kitchen faucets*
  – 1.5 GPM or better
- *Installation of Water conservation fixtures - Bathroom faucets*
  – 2.0 GPM or better

This list could be expanded or modified to provide a broader range of energy-efficient and water conserving features. For example, insulation packages and efficient irrigation systems could be added to this menu of point-options. However, this outline does incorporate a number of commonly available high-performance features that are readily available to developers and contractors for a modest up-charge.

Energy modeling has shown that each improvement results in a "triple bottom line": returning profit to the developers in terms of lower operations and maintenance costs, profits to the tenants in terms of lower energy bills and greater comfort in their homes, and returning profits to the broader community in terms of lower impact on the ecology, less production of hydrocarbons and less water pollution. Further incentivizing the choice of high-performance standards by including them in the QAP is a course that makes sound policy sense and will have long-term benefits throughout the useful life of the resulting upgrades.